NOVEMBER, 1961
Vol. X, No 2

BUSINESS BUDGETING

IN THIS ISSUE

NATIONAL SOCIETY FOR BUSINESS BUDGETING
NSBB
PLANNED PROFITS

BUSINESS BUDGETING

Official Publication of The
National Society for Business Budgeting

Editor	Robert W. Eklund 2625 W. Berwyn Ave., Chicago 25, Ill.
Associate Editor	Henry C. Doofe American Machine and Metals, Inc., East Moline, Ill.
Consultant	L. P. Haverkamp Trailmobile Inc., Cincinnati 9, Ohio
Circulation Manager	Melvin C. Aichholz, Exec. Secretary 6914 Miami Road, Cincinnati 27, Ohio

NATIONAL OFFICERS AND DIRECTORS 1961-62

President	Donald E. Bacon, R. R. Donnelley & Sons, Co.
Vice President	Bernard W. Schaller, Theo. Hamm Brewing Co.
Secretary-Treasurer	Lewis B. Landreth, International Min. & Chem. Corp.
Executive Secretary	Melvin C. Aichholz
Past President	Arthur D. Moor, United Air Lines

REGIONAL DIRECTORS

Region I	Clement A. Agresta, Wheelock Signals, Inc. G. Ralph Guthrie, Jr., I-T-E Circuit Breaker Co.
Region II	C. C. Benedict, Chrysler Corporation Henry M. Leigh, Diamond Alkali
Region III	V. K. Kowalsky, Ernst & Ernst Omar E. Junker, Webster Electric Co.
Region IV	John W. Galvin, State Farm Life Insurance Co. C. S. Holsteen, United Air Lines, Inc.
Region V	C. W. Kessler, M & F Graphic Arts & Indstrl. Photographic Supply Co. L. D. Whiting, Jr., Reynolds Metals Company
Region VI	John B. Morgan, General Dynamics-Astronautics J. L. Watson, United Air Lines

CHAPTER PRESIDENTS 1961-62

Atlanta	Edward L. Blackstone, Jr. H. W. Lay & Co., Inc.
Baltimore	David L. Wilson McCormick & Co., Inc.
Boston	B. M. Zwicker United-Carr Fastener Co.
Calumet Region	John E. Zultner R. R. Donnelley & Sons
Canton	John W. Dunning The Climalene Co.
Cedar Rapids	Michael R. Tyran Collins Radio Co.
Chattanooga	Rayford J. McLaurin University of Chattanooga
Chicago	I. N. Thompson Spiegel, Inc.
Cincinnati	Bruce T. Mayhall The Lodge & Shipley Co.
Cleveland	Paul John Kruder Ferro Corp.
Columbus	John W. Federer Columbus & Southern Ohio Elec. Co.
Dallas	M. Ed Criswell The Frito Co.
Dayton	Robert C. Milleck The Wood Shovel & Tool Co.
Decatur	William E. Thomas, Jr. University of Illinois
Detroit	Lester L. Getschman American Motors Corp.
Fairfield County, Conn.	Paul Lichanec Singer Manufacturing Co.
Fox River Valley	Robert A. Swenson Automatic Electric Company
Hartford	Arthur A. Chaves Veeder-Root, Inc.
Houston	Dudley G. Browning, Jr. Texas Instruments, Inc.
Indianapolis	A. C. Brethauer Pitman-Moore Co.
Joliet-Kankakee	Edward P. Garnier General Foods Corp.
Kalamazoo	Arnold A. Behling Albion Malleable Iron Co.
Kansas City	A. S. Michel Waddell & Reed, Inc.
Los Angeles	Edward Bruce Rogers Auto Club of Southern Calif.
Louisville	Hayden F. Heaphy General Electric Co.
Milwaukee	John W. Galvin Basic Products Corp.
Nashville	Henry W. Hornik Venus Pen & Pencil Corp.
New York City	Charles H. Fish Interchemical Corp.
New Orleans	Ted Tumminello Wesson Div.—Hunt Food and Industries, Inc.
Northern New Jersey	Edward Bensen Tung-Sol Electric, Inc.
Omaha	Carl C. Stupp Vickers, Inc./Omaha Plant
Peoria	Francis E. Staley Muirson Label Co., Inc.
Philadelphia-Delaware	William Thomas Rennie, Jr. Smith Kline & French Laboratories
Pittsburgh	Edward H. Koch Westinghouse Air Brake Co.
Richmond	Clarence B. Drinkard, Jr. Dalton & Drinkard
Rocky Mountain	A. N. Porter Colorado Interstate Gas Co.
San Diego	Grover C. Snyder, Jr. Ryan Aeronautical Co.
San Francisco	Wilho E. Ahola Kaiser Steel Corp.
San Francisco Peninsula	William L. Strong Consolidated Freightways, Inc.
St. Louis	William B. Groll Central States Paper & Bag Co., Inc.
Skokie	Milton Huebsch Ohmite Mfg. Co.
Toledo	C. W. Meyer The Electric Auto-Lite Co.
Tri-Cities	Arthur J. Goebel International Harvester Co.
Twin Cities	M. J. Vernstrom Theo. Hamm Brewing Co.
Utah	George M. Glade Western Steel Company
Western Florida	Henry J. Karr W. R. Grace & Co., Davison Chem. Div.

BUSINESS BUDGETING is published bi-monthly by the National Society for Business Budgeting at 6914 Miami Road, Cincinnati 27, Ohio. Second-class postage paid at Cincinnati and at additional entry office. Subscriptions $10 for one year. SEND FORM 3579 to P.O. BOX 448, CINCINNATI 44, OHIO.

THE VOLUME FACTOR IN DECISION MAKING

by William E. Thomas
Professor of Accountancy
University of Illinois

For many industrial enterprises, it is extremely difficult to predict with certainty the exact volume of business in the period ahead; still numerous business decisions affecting the future, particularly those of an economic nature, must be predicated on this most critical element. The author, in his presentation, discusses the decision process for profit-oriented problems.

The anticipated volume of operations is often a critical element in making business decisions of an economic nature. A decision is the choice of an alternative and, if profit is the criteria, the least cost or the maximum difference between income and cost will be the basis for choice. Because costs of alternatives may be fixed as well as variable, the magnitude may vary with the operational volume assumed. Thus, at one volume alternative A may have the lowest total cost, and at a greater volume alternative B may have the lowest total. To make a decision, the volume must be forecast. But forecasting is a difficult business, especially if it is necessary to pinpoint the volume rather than to forecast a probable range of volume. It is the purpose of this paper to outline, briefly, the decision process for profit oriented problems and to discuss the manipulation of the data for the volume factor.

ALTERNATIVE EVALUATION

A decision is the choice of an alternative, and so a primary rule for tabulating factors for alternatives is to consider only those factors which are *different* between them. It is only the *differences* which provide any basis for choice. All similarities between alternatives should be ignored because they clutter the presentation and are useless for decision making.

In examining differences when several alternatives are being considered, it is necessary to have a base for comparison. The base which is usually used is the present method or none at all. Each

proposed alternative to the present method is expressed as a difference from the present method. If there is no present method, the income and cost data for it is zero; it is usually understood to be the base but is not expressed explicitly in the schedules for study.

Because a decision is concerned with what shall be done in the future, only future income and cost data are relevant. The future is seldom expected to be identical with the past, so it is considered inadvisable to use historical income and costs in the projections. When attempts are made to modify historical dollar data for use in projections, it is very easy to overlook changes in physical operations which will have effects upon cost. Therefore, the alternatives should be constructed in terms of physical requirements. Where standards are available, they may be used as building blocks in the construction. The physical requirements of each alternative may then be "priced" out by use of expected prices.

In converting the physical structure of alternatives to a dollar structure, one must bear in mind that the emphasis is upon *differences* in the *future*. With the use of the present method as a base, it is apparent that the costs which are different are the incremental or differential costs to be incurred with the adoption of each alternative. If resources presently owned are to be used, no cost is required to acquire them but an opportunity cost may be incurred if they are used for the alternative being considered instead of some other opportunity. The span of time of the problem is quite important in determining the costs which may be relevant to an alternative. For example, if an alternative has a short life, it may be possible to use presently owned equipment at a relevant opportunity cost substantially below purchase price or book value. However, if the alternative life exceeds the life of the existing equipment, the anticipated purchase of new equipment for replacement becomes an incremental cost.

Many alternatives have extensive ramifications. To avoid overlooking some items of cost it is advisable to use accounting cost reports or account codes as a check list.

SCHEDULE OF ALTERNATIVES

Two problem situations will be discussed. One will be the possibility of substituting a machine for hand labor and the second one will be the possibility of replacing an old machine.

MACHINE vs. HAND LABOR

Machine Cost		$30,000
Salvage		0
Life		10 yr.
Interest		4%
No Alternative Use for Space		
Volume		100,000 units
Annual Cost	Hand Labor	Machine
Labor	$18,000	$10,000
Depreciation		3,000
Interest		1,200
	$18,000	$14,200

ILLUSTRATION NO. 1

The data for the first problem is presented in Illustration No. 1. The only costs which are different between the two alternatives are labor, depreciation on the machine, and interest on the investment in the machine which is included as an opportunity cost. A difference in the space occupied by the two methods has no significance because there is no alternative use for the space. The costs are scheduled for a volume of 100,000 units and the machine has a cost of $3,800 less than the present hand method.

OLD MACHINE vs. NEW MACHINE

Data	Old	New
Cost	$100,000	$100,000
Salvage	$ 1,000	$ 1,000
Est. Life	20	20
Expired Life	10	
Book Value	$ 50,500	
Trade-in	$ 6,000	
Capacity	50,000 units	50,000 units
Interest	6%	6%

SCHEDULE OF COSTS

VARIABLE	OLD	NEW
Direct Labor	$20,000	$10,000
Repairs	1,100	2,000
Power	2,700	6,000
Supplies	900	1,200
Indirect Labor	2,100	2,200
	$26,800	$21,400
Int. on Outlays	1,608	1,284
Total Var.	$28,408	$22,684
FIXED		
Taxes	$ 1,000	$ 2,000
Building Exp.	800	1,000
	$ 1,800	$ 3,000
Int. on Outlays	108	180
Depreciation	500	4,950
Int. on Investment	360	6,000
Total Fixed	$ 2,768	$14,130
Total Cost	$31,176	$36,814

ILLUSTRATION NO. 2

The relevant data for the second problem is presented in Illustration No. 2. The labor, repairs, power, supplies, and indirect labor requirements for the old machine are obtained from the records, are modified for expected increases due to the age of the old machine and are then priced out at expected future prices. Engineering estimates of requirements of the new machine are established and converted to dollars. Taxes are set by the expected tax rates times the appraisal value, and building expense (rent, heat, etc.) by the space requirements times the expected occupancy rate (this representing opportunity cost of space). There are other uses for working capital which would yield a return of 6%. The variable cost items require annual expenditures of $26,800 and $21,400 to make 50,000 units and the annually recurrent fixed items require payments of $1,800 and $3,000. Therefore, the opportunity cost of working capital is recognized by taking 6% of the outlays mentioned. The opportunity cost of the investment in the new machine is 6% of the purchase price, $100,000, and of the old machine is 6% of the *cost of keeping* the old machine, $6,000. (Instead of calculating interest on the outlays, as above, many prefer to do it on the basis of the average investment in the machine and the increase in working capital required, assuming a working capital turn over rate.)

Depreciation on the new machine is its cost less salvage divided by 20 years. The old machine costs only $6,000 to keep today, (regardless of the book value) but with $1,000 to be recovered as salvage, the effective cost is $5,000 and the average annual cost is $500.

On the basis of 50,000 units a year, the schedule shows that there is a clear cost advantage in keeping the old machine.

THE VOLUME FACTOR

In Illustration No. 2, costs are classified as fixed and variable. The assumption is implicit that some costs to be incurred each year will vary with the volume of operations and some will not. The variable cost and, thus, the total costs in the schedule will necessarily be dependent upon the assumption of the volume level. Therefore, there is a distinct possibility that the total costs of alternative A might be lower under one volume assumption and alternative B might be lower under another. The preference may shift from one alternative to another at some critical volume point.

A forecast of specific volumes for a number of years may be very difficult to make. However, by establishing the K point (critical point in volume where preference for alternatives shift) the forecasting may be much easier because it is only necessary to forecast a range of volume.

The K point for Illustration No. 1 may be established as follows:

K = point in volume where costs of alternatives are equal

F_m = fixed cost of machine method—$4,200

V_m = variable cost per unit for machine $10,000 ÷ 100,000 units = 10¢ per unit

V_h = variable cost per unit for hand labor $18,000 ÷ 100,000 units = 18¢ per unit

The costs of the alternatives are equal where

$$V_h \; K = F_m + V_m \; K$$
$$.18K = \$4{,}200 + .10K$$
$$.08K = \$4{,}200$$
$$K = 52{,}500 \text{ units}$$

K Chart for Hand Labor vs. Machine

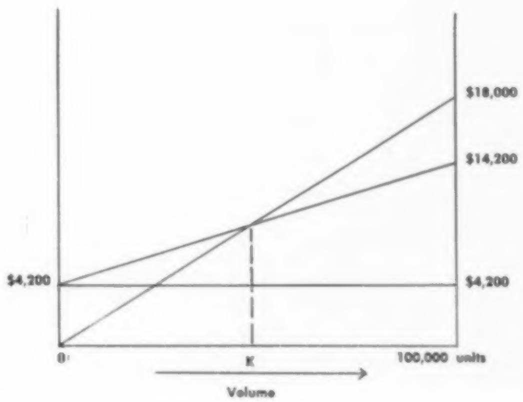

ILLUSTRATION NO. 3

The costs of the alternatives can be placed in chart form (a K chart) and the costs of the alternatives can be read for any volume (Illustration No. 3). The fixed costs to be incurred for the machine method are indicated at $4,200 at all volumes. The variable cost of the machine method is superimposed upon the fixed cost and

27 CHAPTERS PARTICIPATE IN

National President Donald E. Bacon addressing assemblage.

Conferees relax at dinner.

TRI-STATE REGIONAL, CINCINNATI, OCTOBER, 13

Participating chapters: Cincinnati, Indianapolis, Louisville, Columbus and Dayton. Host chapter: Cincinnati.

Seminar Session on Production & Manufacturing Budget Forms & Techniques

Leader: Jay W. Bell, National Brewing Co.

John A. Abbruzzese and Robert O. Wagner, New York Chapter — Co-Chairmen of the Conference

NORTHEASTERN REGIONAL, NEW YORK CITY, OCTOBER 20

Participating chapters: Northern New Jersey, Fairfield County, Philadelphia-Delaware County, Boston, Baltimore, Hartford, Richmond and Pittsburgh Host chapter: New York.

IN REGIONAL CONFERENCES

Ben Mattek and Jerry Schiller from the Fox River Valley Chapter lead seminar on "Profit Improvement or Planning."

Eugene L. Sherk, Detroit Chapter, Chairman of the Program Committee.

Robert B. Wetnight, Charles C. Terwilliger, and William A. Aris from the Kalamazoo Chapter discuss "Return On Investment."

THIRD ANNUAL MIDWEST CONFERENCE, DETROIT, OCTOBER 20

Participating chapters: Chicago, Cleveland, Fox River Valley, Calumet Region, Decatur, Joliet-Kankakee, Kalamazoo, Milwaukee, Peoria, St. Louis, Toledo and Skokie Valley. Host chapter: Detroit.

gives a total cost for the alternative from \$4,200 at zero volume to \$14,200 at 100,00 units. The hand labor method has no relevant fixed cost. The variable cost goes from zero at zero volume to \$18,000 at 100,000 units. The K point is where the two total cost curves intersect. Above the K point, the machine method is preferable and below it, the hand labor method has the least cost.

The difficulty of forecasting is reduced by this study which indicates that any average annual volume above, perhaps, 60,000 units, will tip the preference to the machine method, and that it is not necessary to be precise about the volume so long as it is above that point.

The K point for Illustration No. 2 may be established as follows:

K = point in volume where costs of alternatives are equal

F_o = fixed cost of old machine — \$2,768

F_n = fixed cost of new machine — \$14,130

V_o = variable cost per unit for old machine \$28,408 ÷ 50,000 units = \$.5681

V_n = variable cost per unit for new machine \$22,684 ÷ 50,000 units = \$.4537

The cost of the alternatives are equal where

$$F_o + V_o\ K = F_n + V_n\ K$$
$$\$2{,}768 + \$.5681K = \$14{,}130 + \$.4537K$$
$$\$.1144K = \$11{,}362$$
$$K = 99{,}318 \text{ units}$$

K Chart for New Machine vs. Old Machine

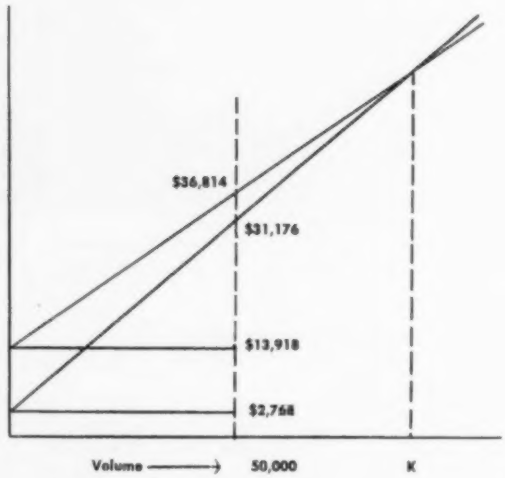

ILLUSTRATION NO. 4

The K chart for this data (Illustration No. 4) is shown with the cost figures for 50,000 units inserted and with an intersection at K point of 99,318 units.

It is possible for the total cost lines of the alternatives to be parallel or divergent, thus never intersecting or doing so at a negative value. In such cases, the lowest cost alternative will be preferable at any volume and a forecast of volume is unnecessary. For example; assume the values:

F_o = \$1,000
F_n = \$1,600
V_o = \$.10 per unit
V_n = \$.15 per unit

$$F_o + V_o\ K = F_n + V_n\ K$$
$$\$1{,}000 + .10K = \$1{,}600 + .15K$$
$$.05K = \$600$$
$$K = 12{,}000$$

It is obvious that the old method is better because at no volume the fixed costs are \$600 less and at any volume the margin is increased at the rate of \$.05 per unit. Therefore, a forecast of volume is of no significance (assuming that *only* these two alternatives are being considered).

SUMMARY

A decision is a choice of an alternative from two or more and the relevant factors for such choice are those which are *different* between alternatives. The alternatives should be planned in physical terms and then "priced" out at future price levels. Proper consideration must be given to opportunity costs and to the time span of the alternatives in relation to the use of resources owned or resources to be acquired.

The volume of operations may be critical. There may be both fixed and variable costs in the schedules and a change in assumption about volume may change the total costs of the alternatives (i.e., total of those which are *different* between the alternatives) in such a way that indicated choice may shift from one to another. The K point may be easily computed and the costs may be drawn on a K chart to graphically portray not only the K point but also the extent of the spread between alternatives at various volumes. With such information available, the forecasting of volume is eased considerable because it need be done only in ranges of volume and the economic consequences of errors in forecasting can be readily appraised.

FINANCIAL CONTROL CONCEPTS

By H. C. Mason
Director of International Finance
S. C. Johnson, Inc.
Racine, Wisconsin

Mr. Mason gave the following talk in London, England at an international conference of some 120 representatives of Johnson Wax from around the world. While his talk was not concerned with budgeting as such, it did include discussion of the following concepts which are either in or closely related to the budgeting field.

This discussion of Financial Control Concepts is aimed at helping local management run the businesses for which they are responsible just as much as it is aimed at helping the Johnson worldwide organization achieve consistent and parallel systems and reports. It's true that we in Racine must insist on receiving subsidiary reports, budgets, and the like in a manner that will insure general uniformity and be adapted to consolidation, but of more importance to you is the fact that we believe you will operate your businesses more effectively if you follow these concepts.

The concepts outlined in this talk apply to both large and small companies, and to subsidiaries, affiliates, distributors, and advertising agencies although the method for achieving successful application will vary for each different company.

"Financial Control" exists when figures correctly expressing the operations, trends, and financial status of a business are available promptly, in the right quantity, looking both backward and forward, *and based upon which action is taken to aid progress toward goals.* Please note that no control exists, regardless of the excellence of financial figures, unless action is taken.

What are the concepts of financial control which will aid management in taking the most effective action? We believe these concepts have proved effective for Johnson's Wax, and we believe they apply to most other businesses as well:

1. BUDGETS AND OTHER FORWARD FORECASTS ARE THE KEYSTONE FOR GOOD FINANCIAL PLANNING. Budgets formalize the profit plan and break it into parts that point out the routes to be followed

to achieve the profit goal. Generally speaking, budgets accomplish three things:

(a) They assist in developing plans for the most profitable operation and for the best attained financial status.

(b) They provide good management and owners with a prediction of what the future holds, as an aid to financial and other planning.

(c) They assist in controlling operations within the approved plans by providing standards of measurement against which day-to-day performance may be evaluated for efficiency and for progress toward the approved goal. They coordinate the activities of all divisions. Once the budget has been approved, management has the means whereby it is relieved of the necessity for planning the details of daily operations. Instead, such activity can be delegated to the line organization with the understanding that important deviations from the budget will be brought to the attention of higher management through the "exception" principle. The "heavy thinking" should be done at budget time, followed by good supervision and follow-up throughout the period.

Successful budgeting requires that top management be persuaded of its value.

A budget system should be complete. In addition to the profit or operating budget, there should be budgets for capital expenditures, personnel, cash, inventories, and balance sheet.

Effective budgeting requires a chart of accounts that parallels the organization chart, so that personnel who are responsible for assigned functions may control those functions.

At this point, I would like to say a few words about budgeting by newer and smaller companies. It often seems like an impossible task to get started. But the important thing is to start! Start with the things for which you have a basis and make intelligent estimates of things for which there seems to be no basis. Expect that some of these will turn out to be wild guesses, but the next time, these guesses can be compared to the actual results and to the physical facts behind the figures, all with increasing effectiveness.

Bear in mind that a budget is not meant to be a straitjacket. Management must and should be able to depart from the budget when circumstances warrant. Furthermore, a budget should be revised in mid-period *if* a fundamental change occurs in the premises on which it was based. Of course, subsidiaries should get the counsel and approval of their regional director before adopting the revised budget officially.

2. BUDGETING MUST BE DONE BY THE LINE ORGANIZATION PERSONNEL WHO WILL BE HELD RESPONSIBLE FOR ACHIEVING THE BUDGET. If someone on the financial staff — or even the general manager — tries to budget the individual expenses of the selling organization, it is a foregone conclusion that the selling organization will feel little responsibility to live within the budget. The selling organization is obviously the only one that knows enough about its own operation to make a good budget.

   Of course, this does not mean that the line organization's budget is the last word, that top management cannot bring about a change. Budgets must be fitted to the overall pattern and goal, but if changes are necessary, the responsible line organization should participate in and agree to the changes.

3. BUDGETED FIGURES SHOULD NOT BE PURPOSELY EITHER HIGH OR LOW. They should "hit down the middle." Whether the figure is an income or expense, it should, generally speaking, be just as likely to be overspent as to be underspent. If anything else is aimed for, there is risk of leading management astray, either by showing too favorable a picture (which, for example, might lead to complacency or to investment in too great capacity), or by showing too unfavorable a picture (which might lead to desirable investment opportunities being passed up). If every division and department puts in a "safety factor," the final result can be badly distorted.

4. AUTHORIZATIONS FOR SPECIFIC IMPORTANT PROJECTS SHOULD BE REQUIRED JUST BEFORE COMMITMENT EVEN THOUGH AMOUNTS FOR THE PROJECTS INVOLVED MAY HAVE BEEN INCLUDED IN APPROVED BUDGETS. The propriety of a particular capital expenditure, for example, may have been

altered by events after the budget was approved, and commitment should not be made automatically. Similarly, specific promotional deals should have separate individual authorizations just before a purchase order is placed, manufacture is begun, or instructions are given to the sales force.

5. THE OBTAINING AND REPORTING OF USEABLE FACTS IS OF GREAT IMPORTANCE. A former chairman of the General Motors Corporation, Mr. Alfred P. Sloan, Jr. once said:

> "My experience in business is that *facts* are too little considered. It is difficult to get the facts — to get *all* the facts — but it is worth every effort. Then, with the facts before us, we try to approach a decision with an open mind."

The facts must, of course, be meaningful; all too often management is given great quantities of figures which are not particularly helpful and which waste the time of both the one who reads them and the one who prepares them. But if facts are to the point, they will often almost make the decision themselves!

It is helpful to obtain and set forth the *physical facts* behind the monetary figures. For example, a manager cannot judge whether his inventory is about the right total amount unless he knows its makeup by type and age. He cannot judge his Accounts Receivable without knowing what portion is overdue. The point is that none of us can judge a monetary figure without a frame of reference. Records should be kept so they can be analyzed for the facts. All entries should "leave tracks." It is impossible to set up ledgers so that every fact and detailed classification stands out by itself on the books, but if the original input data (the source document, etc.) always bear adequate description, and if the intermediate schedules bear meaningful notations, analysis can supply when necessary much more detailed information than the reports themselves.

6. FACTS AND FIGURES SHOULD BE INTERPRETED. The financial staff should give meaning to figures. Although many figures speak for themselves, many benefit from an interpretation by the trained financial man who can call attention to relationships and especially to trends, often when these point to a developing situation. It's not where you are but where you are going that counts. Interpretations along with recommendations for action ("action points") may enable management to avoid a dangerous situation or maximize a profit opportunity.

In presenting the facts, the financial man should make his presentation as interesting, effective and brief as possible. Otherwise, he may fail to "get across." Charts, for example, are often better than columns of figures for simplifying complicated matters.

One more thing. Interpretation of facts and figures should be as brief and clear as possible. Come to the point quickly! While cutting back to the essentials often takes more time on the part of the person preparing the comment, it is worth the time to gain an effective hearing.

7. FINANCIAL INFORMATION SHOULD BE PROVIDED QUICKLY AND ON TIME. As stated earlier, financial control can be achieved only if action is taken — and action cannot be taken until the facts are known. A quick report with approximate figures is often preferable to a delayed report with more nearly exact figures.

Aside from providing U. S. Johnson with the data needed for *its* consolidations and *its* decisions, being on time regularly with reports gives evidence of a well organized and well run company and provides the local company's management with another necessary tool — the tool of not only having information but of being able to rely on the date when it will be available.

Timely closing of the books and issuance of reports is never easy. It requires good advance scheduling, good communications and concerted action on the part of everyone involved. Again, as stated earlier, you are often warranted in sacrificing some reasonable degree of preciseness, with respect to accruals and allocations, to fill the urgent need of management for timely reports. *But* we don't, of course, want to sacrifice the real meaning of figures on reports simply to issue reports quickly.

Certain reports are needed daily, others weekly, monthly, quarterly, semi-annually, and annually. It is worth every effort to make sure that reports are really needed, are is-

sued no oftener than needed, and are being used after issuance.

8. THE EMPHASIS SHOULD BE ON PRODUCTS AND PRODUCT GROUPS IN BOTH ACTUAL REPORTING AND BUDGETING. The theme of this conference is "Progress Through Marketing." None of you, I'm sure, will ever make progress by marketing a total line of products as such. Although coordination among products is very important, it is only through careful planning of marketing for *individual* products and product groups that you will make progress. Similarly, to focus attention in such a way that effective action can be taken, both historical and projected figures must be classified and collected so as to tell management what the operating profits have been and will be in terms of each important individual product and group, and what the components that make up or lead to the indicated profit or loss are.

   No one can take effective action to improve an unsatisfactory profit level unless he knows where changes can and should be made. If budgeted profit is in total too low, it would be dangerous simply to raise the selling price of all products and assume that the same physical quantity could be sold. On the other hand, if the components of profit are available by product, it may be apparent that the selling price of one product should be increased, that it is time to substitute a less costly ingredient or a different container for another product, that advertising on a third product should now be cut back because experience has shown that sales volume is not compatible with the level of advertising, or even that a request must be made to develop an entirely new product to take the place of an older one that no longer meets consumer needs.

   The total financial picture for each major family of products — auto, furniture, etc. — should be summarized.

   Sometimes, the several different products of a related group will be so similarly priced, manufactured, and advertised, that variations by individual product are not very important. In this case, it may be sufficient to calculate profit by *product group* only and not by individual product. Such a situation is more likely among Maintenance Line products, for example, than among Household Line products.

   It will be appropriate, at least occasionally, to carry the profit by product calculations to individual *sizes* of the same product, simply because a satisfactory profit picture for a product in total may hide a shortcoming of a particular size in selling price, container cost, or promotional deal cost.

   This concept of profit by product is important and yet we recognize that there is room for adaptation according to a particular company's situation. Few of you will need so completely developed a system as U. S. Johnson uses, but any company should be prepared to change its system of cost and expense allocation as it grows and does business in different ways. For example, at an early stage of a company's existence, it may be entirely appropriate to allocate the expenses of *Marketing Administration* — the cost of the home office sales executives and their staff — to each product based on the same percentage of net sales. But when *Marketing Surveys* are begun for the benefit of particular products, the cost of those surveys should be allocated *directly* to the products benefitted, and Marketing Administration Expense will begin to vary by product.

   Finally, profit by product data provide the basis for judging return on investment, often the most important relationship in business and one in which we expect to be increasingly interested.

9. FULL ALLOCATION OF COSTS, AS OPPOSED TO MARGINAL OR INCREMENTAL ACCOUNTING, SUITS OUR PURPOSES BEST. This is perhaps not true for all kinds of companies, but we think that the financial situation for each product and group is best portrayed in both actual reports and budgets when it carries its full share of all costs, not just those directly variable with and assignable to the particular product. Instead of merely calculating what the contribution of each product is to general overhead and profit, after assigning to it the specific costs of ingredients, container, labor, advertising, etc. — and ending the process there — we believe in allocating to the product its appropriate share of general or overhead expenses, even though there *may* be little variation by product for some of these expenses. We don't want, ever, to lose sight of these expenses. Some products, somewhere, must bear general overhead expenses, and

prices, formulation, etc. must take this share into account at all times.

Incidentally, upon close examination, a good many "general" expenses will prove to be directly affected by activities on behalf of certain products, and it is worth the effort to seek these out and charge them directly rather than prorate them equally to all products. Again, this is all part of knowing the facts.

Another point. If you have idle plant, for example unused machinery purchased for increased production that did not materialize for a particular product, resist the temptation to spread such costs over all products because this effectively buries costs and is unfair to many products. Show the results in a straightforward fashion, relying on interpretation to overcome any distortion.

Finally, there are circumstances under which calculation of the contribution a product is making on an out-of-pocket basis should be made in addition to the normal full allocation calculations. This may be done for a new product that is under consideration and which may reflect a loss on a fully allocated basis. It may also be done when considering dropping a product from the line. Do it both ways!

10. THE DEGREE OF VARIABILITY OF EXPENSES, AND THE BREAK-EVEN POINT, ARE IMPORTANT CONCEPTS THAT AFFECT MANY MANAGEMENT DECISIONS. Without going into detail as to fixed vs. variable costs and their changing relationships — most of which are well known to business managers — I would like to point out that Johnson's believes that *selling expenses* do not fit any of the usual three classifications of variable, semi-variable, or fixed, but should rather be considered a fourth category under their own name. The reason is simply that selling expenses should be free to move up or down as management sees fit; it may, for example, be appropriate to increase, not decrease, selling expenses when sales decrease.

11. WHILE ACCURACY IS ABSOLUTELY ESSENTIAL IN THE LEDGERS AND REPORTS, MINUTE ACCURACY OFTEN IS UNDESIRABLE AND COSTLY WHEN PURSUED FOR ITSELF. Much of accounting (to say nothing of budgeting) makes use of estimated figures, as when accruing depreciation or when allocating certain costs and expenses to divisions of the company or to individual products, and the goal can only be to arrive at approximate but meaningful figures.

Therefore, to make this sort of calculation in great detail is not only wasteful of time but gives the impression of an exactness which may in itself be misleading. Round-off of figures which can be no better than estimates is highly desirable.

Budgeting deserves a special comment in this respect. It is impossible to foresee the future exactly, and it is often wasteful to arrive at an "exact" budget figure via complicated calculations carried out to the last decimal place. Three-Year Studies, and any longer range projections, should aim even more for approximate but meaningful figures. In a Three-Year Study, it should simply be recognized that it is impossible to forecast exactly what will happen. We call it a "Study" because it shows what good management can accomplish given a reasonable set of assumptions within the framework of Johnson capabilities and products (old and new). The value of such a Study lies not only in the figures but in the plans which the Study helps crystallize.

For the smaller company, and for all companies frequently, one of the best and simplest ways to allocate certain expenses may be via a "sampling" technique, rather than via keeping exact records of where everything goes. For example to allocate telephone expense to each division, the smaller company, instead of keeping a record of every long distance call at all times, may elect to keep a record for one typical month and the percentage breakdown for that month may be used until there is reason to believe the pattern has changed.

> NOTE: The above must not be construed as a defense of inaccuracy. The ledgers, balance sheets, profit statements and other reports must add exactly; sub-ledger details must add exactly to the control accounts. We have simply been talking about a time-saving method of arriving at the amount of certain figures which are to be introduced into the accounts.

NATIONAL SOCIETY FOR BUSINESS BUDGETING

ELECTION NOTICE

The dates for the election of Officers and Regional Directors under the revised By-Laws will be:

All nominations close January 25
Ballots mailed to Members February 5
Results announced on March 15 and at the Annual Meeting

NOMINATING NATIONAL OFFICERS

The President, Executive Vice-President and Secretary-Treasurer for 1962-63 will be nominated by the Nominating Committee and by petition of Members. The Committee appointed by the Board of Directors consists of:

Arthur D. Moor, Chairman
United Air Lines
International Airport
San Francisco 28, Calif.

Donald E. Bacon, President
R. R. Donnelley & Sons Co.
350 East 22nd Street
Chicago 16, Illinois

Region I Director
Clement A. Agresta
Wheelock Signals, Inc.
273 Branchport Avenue
Long Branch, N.J.

Region II Director
Henry M. Leigh
Diamond Alkali
300 Union Commerce Bldg.
Cleveland 14, Ohio

Region III Director
V. K. Kowalsky
Ernst & Ernst
2222 First Natl. Bank Bldg.
Minneapolis 2, Minn.

Region IV Director
C. S. Holsteen
United Air Lines, Inc.
5959 S. Cicero Avenue
Chicago 38, Illinois

Region V Director
C. W. Kessler
M. & F. Graphic Arts & Industrial
Photographic Supply Co.
220 Luckie St., N.W.
Atlanta 3, Ga.

Region VI Director
John B. Morgan
General Dynamics-Astronautics
Box 1128
San Diego 12, Calif.

Any ten Members can nominate a Member by signing a petition and sending it to reach the Executive Secretary by January 25. The petition must be accompanied by a statement in writing that the nominee is willing and able to serve.

Each Region will elect one Director for two years, 1962-64.

Candidates for each Region will be nominated by the Regional Nominating Committee and by petition.

Members-at-Large are included in the Regions according to their mailing addresses.

The Presidents of the Chapters in a Region constitute the Regional Nominating Committee, so if you have any suggestions, send them to your Chapter President. Two qualifications for the Regional Directors should be noted:

Each Nominee must be from the Region he will represent (either a Chapter Member or a Member-at-Large); and both Directors of a Region may not be from the same Chapter. Note that service on a Regional Nominating Committee by a Chapter President will not make him ineligible to be nominated as a Regional Director.

Any ten Members in a Region may nominate a Regional Director by petition. The procedure is the same as for National Officers: Petition must reach the Executive Secretary by January 25, and must be accompanied by the nominee's consent in writing.

ELECTIONS

The Executive Secretary will send to each Member ballots for the election of the three National Officers, a ballot for the election of one Regional Director and personal data about the nominees by February 5.

Members will have 30 days to return their ballots and the results will be announced by March 15 and at the Annual Meeting.

LEWIS B. LANDRETH
Secretary-Treasurer

A LOOK AT BUDGETS AND PEOPLE

By Arnold A. Behling
Controller
Albion Malleable Iron Company
Albion, Michigan

"The success of budgets requires completed action through people". Mr. Behling presents the human aspects involved in budgeting as he takes the reader through the various steps involved in a successful budgeting program.

A famous general was quoted as saying, "It is part of my philosophy that the biggest thing in life is the human factor, whether you are in charge of two million — as I had at one time — or a businessman with two factories. If you know how to handle that human material, there is nothing you can't do. Nothing! Absolutely nothing!"

This particular philosophy emphasizes my concept of budgeting, for the success of budgets requires completed action through people. It is through them that things are made to happen. The things that do happen in turn determine an individual's personal and business success for all rewards are in getting a job done. This usually requires cooperation and an integrated activity of people.

The need for a tool to coordinate the action of these people explains in part the rapid growth of budgets as a management concept. People must work together as a team towards a common objective and budgeting is an excellent tool and means through which this can be accomplished. This need for budgeting has contributed to its growth and has materially increased to the company the importance and value of the Controller and his budget staff. Budget people must now look at their job primarily as managers, for the most fundamental functions of management — planning and controlling — are usually coordinated and formalized through a comprehensive budget program. To be effective, budget people plan, control, and secure the desired action through people.

BUDGET MANAGER'S RESPONSIBILITY

The Controllers Institute of America states as part of the Concept of Modern Controllership that, "He is to establish, coordinate, and administer, as an integral part of management an adequate plan for control of operations." The Concept goes on further to include the measurement and interpretation of performance against the plan.

This Concept makes budget managers' functions an integral part of a Controller's responsibility and it is through budgeting that they can make their most sizeable contribution to a company's success. They must help manage profits through the establishment, coordination, and administration of a budget program. This must be an active rather than a passive type of action in that they must aggressively assist and guide the corporate team to the budgeted objectives. The Controller and the budget manager are part of management and as such, must study, know, and understand all facets of the business. If they are to help secure the needed action, they must be able to sell to other managers the establishment of challenging goals and when performance deviates from the path, there is an even greater need for selling and assisting in the corrective action necessary for a positive budget performance. This salesmanship may involve both the "hard-and-soft" selling type of approach and budget people must not concern themselves with winning a popularity contest. They must feel as great a responsibility as line management does toward attainment of budget objectives, and failure to achieve these objectives becomes also in part a failure of the Controller and his budget personnel. Their role is — and should be — a positive and dynamic one, and should be that of leaders — those whose ability to help is recognized by a group with a common purpose. As managers, they will exercise the philosophy of statesmanship

defined by a large management association as, "The other fellow is capable of being far more than he is, and it is my responsibility to help him develop to his fullest potential."

FIRST STEP IN BUDGETING

What are the semantics of "to establish"! This is obviously the first step in budgeting and it begins with the setting of the objectives of the business. As the leader of the company, this responsibility must belong to the President. He is probably the most important part of these "people" who are expected to secure the desired action. This person, the President, usually is a man who has tremendous drive and boundless energy. He is apparently a man who likes people and is usually surrounded by many subordinates and yet, he is probably a lonely man for he recognizes that he alone has the immense responsibility of guiding the concern. He must direct and coordinate the action of a strong and dynamic executive team toward an objective. What should that objective be? In deciding this, the President no doubt will confer often with his management team and he must guide them into agreeing with his desired objective. He will have to know how to temper the optimism of the Sales Manager with the probably more conservative outlook of the Controller. He will no doubt have to deal with executives who are inclined to be impractical, unrealistic, and yet creative, and there may be others who will create problems with their negative outlook. From his evaluation of the human and physical resources comes the judgment that enables him to set the objectives of the company. They must be practical and realistic objectives and yet must be a sufficient challenge to create enthusiasm and active support of his programs. He knows that enthusiasm makes men strong, will wake them up, and when budget objectives are enthusiastically presented and supported, the budget will be dynamic and will impel incessant action. The President's budget outlook will set the climate for the entire program. Its effectiveness will reflect each individual's attitude and for an effective first step in budgeting, the President's enthusiastic support is mandatory.

SECOND STEP OF BUDGETING

When the management team has been advised where it is to go, the responsibility then shifts to the second step of budgeting, which is "how" to get to that objective. All management must participate in this planning if it is to be successful. The Controller and his budget manager obviously must be an integral part of the management that is responsible for establishing the plan. They can assist by interpreting broadly what sales goals have to be set, what cost and price levels will probably prevail, and as a result can set some reasonable bench marks that will enable various department heads to begin their planning. The detailed planning should begin at the lowest level of management where the control of activity rests. As an example, the foreman will prepare his departmental budget so that his objectives can be considered as "his budget." Unless operating responsibility has a major role in formulating their budget, true accountability will be difficult. Participation is a requirement if the actual results are to prove rewarding, for without participation there will be disinterest or lack of belief, and disappointments. Operations must believe in what they have to do before they can be expected to perform. The budget manager must see to it that the foreman's budget represents a challenge and in addition, the budget must fit the overall cost structure needed to meet the profit objective. The process of developing departmental budgets must represent a team effort of budget and departmental supervision. The work will include much educating of each other. We financial men must try to understand the departmental-manager's problems and they in turn must be willing to learn the meaning of budgets. Each must learn to listen and this in itself is something which few people do well. We often listen with a closed mind in that we have already made a judgment. When that happens, real listening stops. Human-relation problems are bound to occur in budget work, and the way they are handled may have a lot to do with the success of the program. As an example, a Research Director may try to defeat budgets by refusing to measure results or set specific objectives for his projects. He may see in the budget a restriction on himself and possibly a rival for the attention he had previously been getting with his generalizations and grandiose claims. A Vice President of production seeks to explain his failure to achieve budgeted costs by the very simple, "The budget is wrong." The foreman resents the club held over his head for performance. All of these problems are real and are a challenge to the Controller or budget manager to minimize. It is true that they can appeal to the President for help, but a good executive hesitates to admit he can't sell something in which he believes in so strongly. It takes people to make a budget work and as Controller, or budget manager, their success is related to the way these problems are

resolved. Financial people, also, have a tendency to look at figures strictly from a factual and logical viewpoint. We can see no reason why improvements can't be made and can't understand why factory supervisors tend to resist the pressure of budgets. Don't we tend to consider budgets with an inflexible attitude, is not our judgment often based on a backward look, and/or are we looking too far into the future and forgetting about today? To the factory supervisor "today" is important, for production requirements in itself creates a large problem without worrying about the details of cost, etc. On the other hand, can factory people expect us to fully understand their daily problems in getting production, or are we rationalizing when we say, "We don't have the time to completely understand." Is it also not a two-way street in that factory supervision must also learn to understand us.

With this understandable lack of knowledge of each other's problems, misunderstandings are inevitable. Properly controlled, this conflict is healthy for the company. Without friction, there can be no fire! The effectiveness of the Controller and his budget staff and their contribution to the company is partly relative to the way in which they are able to control this friction without causing a fire. A job has to be done and continual cost reduction and budget achievement is part of that job. They must sell budget objectives to foremen so that the foreman level of management believe that the establishment and attainment of budgets are of their own making. Budget people must learn and understand how to appeal to that need for personal satisfaction or ego and as indicated previously, we do not believe that this will be done without some friction. Being popular is not included in any job description of budget personnel. On the other hand, they must get along with people, for any hostility or resentment must not be such as to prevent the team from getting the job done. This may sound paradoxical, but I believe there is a definite distinction.

After each department head or supervisor, with the assistance of budget personnel, prepares his budget, they should be forwarded up the line — with approval and acceptance at each level — to where finally, they are tentatively accepted by responsible authority. This philosophy of beginning at lower levels of management extends to all line and staff activity, but the problems of "people" are similar. To be truly effective, departmental budgets must be flexible and the budget program should provide for reasonable changes. Greater cooperation and enthusiasm is possible with a flexible attitude and should help relieve tension, resentment, and other so-called "ills of budgeting."

The summarization and coordination of all individual department budgets into a plan is the responsibility of the Controller assisted by his budget staff. They may find that some of the parts of the picture will not permit the company to reach the profit objective. If we assume this, is the President expected to lessen his profit objectives or does the budget manager attempt to sell budget reductions — and if so, to which department? Possibly improved profits can be budgeted through increasing of sales quotas and both the volume and price levels could be affected. Obviously, actual conditions will govern the required decisions at the time for judgment is important here. The main problem is to finalize on a budget that is worth making. This finalization no doubt will cause further human-relation problems. Line management personnel are usually strong-minded individuals and many human drives keep them from changing their minds. They, therefore, become difficult to sway into changing their previous commitments. The other course of action required a change in profit objectives and, in some cases, practical and realistic considerations may require this to be done. As a general philosophy, however, we must look at profit as a fixed cost, which must be realized from sales less cost. This amount is set by management action and the parts of the picture must be arranged around this anchor.

THIRD STEP IN BUDGETING

Once a plan has been established to achieve the objectives and all levels of supervision have agreed that it is their budget, it is realistic, and is attainable, the plan is put into action by these same people. They now must enthusiastically sell and produce the product within the framework of the plan. Putting the plan into action would appear to be relatively simple, for one might feel that on the first day of the year the plan would automatically be put into action. No profit plan can just happen — it must be made to happen. To put the plan into action, a manager must continually think of the objectives — both financial and non-financial — and must visualize the action needed from his people to accomplish the aims. He has previously considered where he has been and where he expects to go, and now all his subordinates must be motivated to aggressively reach out to the required objective.

This enthusiasm must be communicated to appropriate individuals, and all participants should be formally advised as to the details of the plan so that all will be working together in a coordinated manner and with a unity of effort. The plan must be enthusiastically put into action by active management support of its objectives. The manager must awaken his people so as to bring out latent powers, and by his enthusiasm, he will help push aside all obstacles that are standing in the way of reaching that objective.

FOURTH STEP IN BUDGETING

The fourth and final step in budgets is the measurement of performance against the objectives and then the taking of action to correct any exceptions or deviations from the plan. This is an active type of action and involves constant consultation with all levels of management. Too often the consultation portion of budget performance is delegated by top management. The Controller, in particular, must not delegate all the review and discussion of budget performance, for his personal influence can help make the budget manager's job easier as it will tend to maintain the importance of budget performance and accountability. The discussions should be positive and constructive and tend toward the benevolent and helpful type of action toward lower management. Financial personnel must refrain from tell "line" how to do their jobs, must not act as policemen, and when events prove they are right, they must curb their natural impulses towards "I told you so." We must give proper credit when a job is well done and must avoid personalities if our discussions are to be fruitful. Reports of the budget manager must be timely, accurate, and presented in such a manner that they are easily understood by all levels of management. The Controller and his staff must assist all management in the interpretation of the figures and this must be done in a manner that will cause cooperation and corrective action. This particular phase of a budget manager's function is one of the most difficult and one of the most frustrating. If he is enthusiastically motivated to see his company successful, he is bound to be impatient at what may seem to be obvious needs for immediate and specific types of corrective action. He is, on the other hand, somewhat powerless to compel action, for the individuals concerned are subject to other authority. His conclusions may not at times be correct, for he may look at facts too logically and may not take into consideration the emotional aspects of particular deviations. In many cases, the figures will not tell the whole story or may be misleading so unless he proceeds cautiously, he will often defeat his purpose — the motivating of corrective action by line or other staff personnel. His reports and interpretations must command sufficient respect to make responsible personnel actively seek help to correct deviations. The "whys" of a problem cannot be ignored by financial personnel for they must assist in finding the reasons. This will help maximize the profits and that, after all, is a part of everyone's objective. Reports that emphasize weakness should avoid the "putting of blame" or the negative critical tone but rather should emphasize exceptions which require improvement. Budget reports should not be viewed as a means of evaluation, but people must learn to see budget reports as a means of improving their performance. A budget manager must get acceptance of his performance measurement and then he must sell the need for corrective action.

In reporting exceptions, the budget manager must also concern himself with overall company objectives and must not become so department centered that he loses sight of the overall company viewpoint.

SUMMARY

It has been said that without organized thinking there can be no organized action and without this, the road to growth and success is hard to find. Budgeting solves this need. Most of the problems in budgeting are "people," and the problems of the Controller and his budget staff are all related to the human factor. No one seems to be able to come up with all the answers to this complex problem of human motivation, and this article humbly admits to not being able to define the problem — much less answer even a portion. We merely attempted to emphasize budgeting not as management, but as a management tool. Budgeting is an expanding field, and our horizons must also grow with the concept of management. We must think primarily as managers and this involves helping and understanding all individuals in the firm having staff and supervisory responsibilities. Budgeting is a team effort, and we are part of the leadership in that we have the ability to help. The performance of this team determines a company's success, and our budget responsibilities enable us to accept a share of the success or failure.

NEW MEMBERS

HERBERT R. ADLER
Asst. Controller
Bunndy Corp.
Fairfield County Conn. Chapter

SPENCER F. ANDERHOLM
Chief Accountant
Associated Spring Corp.
Hartford Chapter

WALTER F. ANGER
Mgr., Budgeting & Internal Auditing
Wagner Electric Corp.
St. Louis Chapter

TOM ATHANASAS
Budget Director
Booz, Allen & Hamilton
Chicago Chapter

BILL BAILEY
Budget Accountant
Combustion Engineering
Chattanooga Chapter

KENNETH A. BAKER
Budget Manager
Joseph T. Ryerson & Son, Inc.
Chicago Chapter

ROBERT M. BAKER
Mgr., Profit Planning
American Hospital Supply Corp.
Chicago Chapter

DONNELL EDWARD BALMERT
Mgr., Budgets & Internal Audit
The National Brewing Co.
Baltimore Chapter

ANTHONY M. BARBIERI
Mgr. of Budgets
Kearfott, Div. General Precision, Inc.
New York City Chapter

ALAN R. BAUMANN
Senior Accountant
Arthur Anderson & Co.
Milwaukee Chapter

RICHARD S. BEAR
Comptroller
White Pine Copper Co.
Member-at-Large

RAYMOND D. BEHRMANN
Public Accountant
Ernst & Ernst, CPA's
Indianapolis Chapter

ROBERT E. BELL
Staff Accountant
Paty, Womack and Foster, CPAs
Nashville Chapter

THADDEUS R. BIALEK
Senior Analyst — Profit Planning
International Minerals & Chemical Corp.
Chicago Chapter

HUGHES M. BINKLEY
Senior Accountant
Arthur Andersen & Co.
Chattanooga Chapter

MORRIS H. BIRD
Budget Analyst
Convair Astronautics Div. of General Dynamics Corp.
San Diego Chapter

LIONEL G. BOUCHARD
Supvr., Cost & Budget
General Foods Corp.
Joliet-Kankakee Chapter

B. WALKER BOURS, JR.
Sec'y.-Budget Director
DeSoto Chemical Coatings, Inc.
Chicago Chapter

GEORGE F. BOWLER
Mgr. of Budgets
Inland Steel Co.
Chicago Chapter

JOHN W. BRAND
Budget Director
Hiller Aircraft Corp.
San Francisco-Peninsula Chapter

WILLIAM BRATKOVICH
Mgr. — Order Clerical Dept.
Scripture Press
Fox River Valley Chapter

WILLIAM JOSEPH BREINER
Financial Analyst
Merck Sharp & Dohme Research Laboratories — Div. of Merck & Co., Inc.
Northern New Jersey Chapter

ROBERT J. BRITTON
Profit Budget Mgr.
Remington Rand
New York City Chapter

FRANK FORD BROADUS, JR.
Plant Accountant
Louisville Cement Co.
Louisville Chapter

PHILIP H. BUCK
Supervisor, Cost Accounting
Aircraft Armaments, Inc.
Baltimore Chapter

WARREN C. BULETTE, JR.
Budget Manager
Westinghouse Electric Corp.
Pittsburgh Chapter

VINCENT K. BUTLER, JR.
Financial Analyst
Kern County Land Co.
San Francisco Chapter

RONALD J. CALHOON
Budget Administrator
Weatherhead Co.
Cleveland Chapter

CAREY J. CHAMBERLIN, JR.
Mgr., Financial Analysis
The Todd Co. Div. of Burroughs Corp.
Member-at-Large

WILLIAM R. CINNATER
Budget Director
Schering Corp.
Northern New Jersey Chapter

CALVIN J. COHEN
Asst. Treasurer
Bobbie Brooks, Inc.
Cleveland Chapter

JAMES A. CORELL
Asst. Controller
Concrete Materials & Const. Div. of American-Marietta Co.
Cedar Rapids Chapter

DAN J. CUDDY
Senior Budget Analyst
Consolidated Freightways, Inc.
San Francisco-Peninsula Chapter

MARTIN E. DAVIS
Treasurer
Thompson Hayward Chemical Co.
Kansas City Chapter

CHARLES H. DEUTCH
Asst. Vice President
Bank Building & Equipment Corp. of Amer.
St. Louis Chapter

IGNOR E. DOLGUSHKIN
Budgets & Cost Manager
Theo. Hamm Brewing Co.
San Francisco Chapter

ROBERT J. DONACHIE
Treasurer & Controller
Clark Bros. Company
Member-at-Large

PAUL F. DREXLER
Chief Cost Accountant
Cooper Tire & Rubber Co.
Toledo Chapter

EDWARD A. DURANCZYK
Budget Manager
Brunswick International C. A.
Chicago Chapter

ALVAH H. EUBANK, JR.
Cost Accountant
The Cheasapeake Corp. of Virginia
Richmond Chapter

JAMES L. FISHER
Asst. Controller
National Laboratories—Div. of Lehn & Fink Prod. Corp.
Toledo Chapter

GUY C. FITZPATRICK
Budget Director
The MacMillan Co.
New York City Chapter

DAVID M. FLETCHER
Treasurer
Aurora Metal Co.
Fox River Valley Chapter

EDSON L. FOSTER, JR.
Asst. Controller
Standard Screw Co.
Fox River Valley Chapter

MARK JOHN GORMAN
Accounting Supervisor
Froedtert Malt Corp.
Milwaukee Chapter

JOHN HALKOWICH, JR.
Treasurer & Comptroller
Cooper Alloy Corp.
Northern New Jersey Chapter

RAYMOND S. HALL
Supvr., General Accounting
Baltimore Business Forms, Inc.
Baltimore Chapter

JOHN J. HARRIS
Budget Supervisor
Westinghouse Electric Corp.
Baltimore Chapter

EDWARD HATTER
Asst. Budget Supervisor
Brunswick International
Skokie Valley Chapter

WILLIAM M. HENSLEY
Budget Director
Rawlings Sporting Goods Co.
St. Louis Chapter

DONALD F. HONES
Director of Budgets & Pricing
Fabricon Products Div. of Eagle Picher
Detroit Chapter

RICHARD L. HORNSBY
Management Services Staff
Touche, Ross, Bailey & Smart, CPAs
Detroit Chapter

DAVID M. HOYT
Accountant
The Nash Engineering Co.
Fairfield County Conn. Chapter

J. B. HUFFSTUTLER
Asst. Comptroller
American National Bank & Trust Co.
Chattanooga Chapter

WILLIAM A. JEFSEN
Dir. of Finance & Controller
Weber Costello Co.
Chicago Chapter

GEORGE R. JONES
Controller
The Abel Corp.
Columbus Chapter

WALTER W. KARLOSKI
Partner
Richardson & Karloski
Decatur Chapter

WARREN H. KENNEDY
Budget Controller
Vanderbilt University Hospital
Nashville Chapter

LAWRENCE B. KIND
Budget Mgr.
Hickok Elec. Instru. Co.
Cleveland Chapter

RAYMOND E. KONCZAL
Asst. Budget Supervisor
Doehler-Jarvis Div. of National Lead Co.
Toledo Chapter

ROBERT J. KOWALESKI
Mgr., Budget Div.
Central National Bank of Cleveland
Cleveland Chapter

JOHN A. KUNTZ
Supvr., Engineering Cost
Minneapolis Honeywell Regulator Co.
Western Florida Chapter

RAYMOND E. KURTZ
Supvr., Budgets & Costs
Albion Malleable Iron Co.
Kalamazoo Chapter

JOHN J. LAMMERS
Controller & Asst. to Mgr.
American Photocopy Equipment Co.
St. Louis Chapter

FRANK LAVIN
Budget Mgr.
Eitel-McCullough, Inc.
San Francisco-Peninsula Chapter

GEORGE EDWIN LEACH
Accountant
Caterpillar Tractor Co.
Joliet-Kankakee Chapter

WALTER B. LENOX
Cost Analyst
Cleveland Graphite Bronze Div.—Clevite Corp.
Cleveland Chapter

JAMES E. LILLY
Budget Mgr.
Brown & Williamson Tobacco Corp.
Louisville Chapter

ROBERT J. LONGWELL
Chief Budget Accountant
Kaman Aircraft Corp.
Hartford Chapter

WILLIAM L. LOUDER JR.
CPA
Lybrand, Ross Bros. & Montgomery
Cincinnati Chapter

JOSEPH LUPO JR.
Budget Director
Mutual Hospital Insurance, Inc.
Indianapolis Chapter

HARVEY D. MALTZ
Supvr., Budgets & Reports
Gillette Safety Razor Co.
Boston Chapter

ROGER N. MANGELS
Executive Vice President
Mangels, Herold Co., Inc.
Baltimore Chapter

RALPH B. MAY
Accountant
Brauer Bros. Shoe Co.
St. Louis Chapter

MRS. PHYLLIS F. McCARROLL
Budget Coordinator
The Vendo Co.
Kansas City Chapter

EDMUND R. McCAULEY
Controller & Asst. Secretary
Teleprompter Corp.
Fairfield County Conn. Chapter

JOSEPH J. McEVOY
Asst. to Mgr. for Taxes & Budgets
Perkin-Elmer
Fairfield County Conn. Chapter

ROBERT EDWARD MILKEY
Asst. Budget Supervisor
St. Regis Paper Co.
New York City Chapter

WOOSTER S. MONTGOMERY
Office Mgr.—Fct. Acct.
The Huffman Mfg. Co.
Dayton Chapter

JOSEPH F. NAPOLITANO
Senior Dept. Standards Engineer
Ford Motor Co.
Detroit Chapter

RALPH L. NEILSON
V.P. & Controller
Walker Bank & Trust Co.
Utah Chapter

VETO A. NEVIACKAS
Section Head
Standard Oil Co. (NJ)
New York City Chapter

CARL W. NIEBUR
Asst. to Comptroller
Lumbermens Mutual Casualty Co.
Chicago Chapter

OSWALD NIELSEN
Prof. of Accounting
Stanford University
San Francisco-Peninsula Chapter

VINCENT M. NOONAN
Asst. to Treasurer
Thiokol Chemical Corp.
Philadelphia-Delaware Valley Chpt.

WARRERN J. NOTTLESON
Div. Accountant
General Mills, Inc.
Joliet-Kankakee Chapter

JACK NUYEN
Budget Acct. & Cost Analyst
National Water Lift Co.
Kalamazoo Chapter

ERNEST G. PAQUETTE
Asst. Laboratory Controller
Raytheon Co.
Boston Chapter

HARRY E. PARR, JR.
Supvr., Budget & Financial Analysis
Chrysler Corp.
St. Louis Chapter

GEORGE LINWOOD PARSONS
Budget Director
Seaboard Air Line Railroad Co.
Richmond Chapter

PAUL F. PAULY
Asst. to Controller
The White Motor Co.
Cleveland Chapter

ROBERT J. PAULY
Div. Controller—Asst. Secy.
The S.M. Jones Co.—Div. Buffalo-Eclipse Corp.
Toledo Chapter

JAMES M. PEAK, JR.
Partner
Hazlett, Lewis and Bieter, CPAs
Chattanooga Chapter

WILLIAM C. PELLISERO
Budgets & Measurements Mgr.
Automatic Transportation Co., Div. of Yale & Towne Mfg.
Chicago Chapter

FRANK WAYNE PERUCCA
Accounting Supervisor
Caterpillar Tractor Co.
Joliet-Kankakee Chapter

CHARLES M. PETERSON
Budget Supervisor
United California Bank
Los Angeles Chapter

THEODORE R. PLEIM
Asst. to Controller
The Gillette Co.
Boston Chapter

HAROLD O. POLENZ
Budget Manager
McCulloch Corp.
Los Angeles Chapter

STANLEY JOHN PORCO
Supvr. of Budgets
Hooker Chemical Corp.
Member-at-Large

HENRY Y. PORTER
Secretary & Treasurer
Bentley College Of Accounting & Finance
Boston Chapter

JAMES R. REMPE
Cost & Budget Accountant
Third National Bank & Trust Co.
Dayton Chapter

GEORGE A. ROBELEN
Asst. Treasurer
The Nash Engineering Co.
Fairfield County Conn. Chapter

FRANK C. ROBERTS
Asst. Controller
Eaton Manufacturing Co.
Cleveland Chapter

WILLIAM H. RODGERS
Staff Accountant
Hazlett, Lewis & Bieter, CPAs
Chattanooga Chapter

DONALD R. ROGERS
Budget & Procedures Director
Thompson Hayward Chemical Co.
Kansas City Chapter

LEONARD C. ROSE
Budget Supervisor
Chrysler Corp.
Cleveland Chapter

RICHARD R. SANDBURG
Controller
Infrared Industries, Inc.
Boston Chapter

DONALD EARLE SEESE
Budget Director
The Bank of California, N.A.
San Francisco Chapter

JOHN T. SETZER
Chief Accountant & Office Mgr.
American Art Metals Co.
Atlanta Chapter

CLIFFORD D. SHIELDS
Mgr. of Budgets
The Standard Oil Co. (Ohio)
Cleveland Chapter

WARREN D. SHIFFORD
Supvr.—Capital Budgeting
Chrysler Corp.
Detroit Chapter

JOHN J. SISLER
Administrative Asst.
Ohio Power Co.
Canton Chapter

L. A. SKAAR
Controller
Geneva Modern Kitchen — Div. of Acme Steel Co.
Fox River Valley Chapter

CHARLES J. SMITH
V.P. & Controller
Peterson, Howell & Heather, Inc.
Baltimore Chapter

SHELDON E. SMITH
Resident M.A.S. Representative
Price Waterhouse & Co.
Atlanta Chapter

RICHARD A. SPENCER
Accountant
Mobil Oil Co.
Houston Chapter

JOHN F. STEPHAN
Asst. Controller
Hevi-Duty Electric Co. — Div. of Basic Products Corp.
Milwaukee Chapter

FRANK W. STOREY
Asst. Controller
Carpenter Steel of New England, Inc.
Fairfield County

ARTHUR E. STORHAUG
Supvr., Operating Budgets
Crown Zellerbach Corp.
San Francisco Chapter

Publishers: File two copies of this Form with your postmaster.

STATEMENT REQUIRED BY THE ACT OF AUGUST 24, 1912, AS AMENDED BY THE ACTS OF MARCH 3, 1933, JULY 2, 1946 AND JUNE 11, 1960 (74 STAT. 208) SHOWING THE OWNERSHIP, MANAGEMENT, AND CIRCULATION OF

BUSINESS BUDGETING (Insert exact title of publication) published Bi-Monthly (State exact frequency of issue)

at Cincinnati, Ohio, additional entry-Davenport, Iowa (Name of post office and State where publication has second-class entry) for September 22, 1961

1. The names and addresses of the publisher, editor, managing editor, and business managers are:

	Name	Address
Publisher	National Society for Business Budgeting	6914 Miami Road, Cincinnati 27, Ohio
Editor	Robert W. Eklund	2625 W. Berwyn Ave., Chicago 25, Ill.
Managing editor		
Business manager	Melvin C. Aichholz	6914 Miami Road, Cincinnati 27, Ohio

2. The owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding 1 percent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a partnership or other unincorporated firm, its name and address, as well as that of each individual member, must be given.)

Name	Address
National Society for Business Budgeting	6914 Miami Road, Cincinnati 27, Ohio
1600 Members	

3. The known bondholders, mortgagees, and other security holders owning or holding 1 percent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.)

Name	Address
None	

4. Paragraphs 2 and 3 include, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting; also the statements in the two paragraphs show the affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner.

5. The average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the 12 months preceding the date shown above was: (This information is required by the act of June 11, 1960 to be included in all statements regardless of frequency of issue.) 2000

Melvin C. Aichholz
(Signature of editor, publisher, business manager, or owner)

Sworn to and subscribed before me this 22nd day of September, 1961

[SEAL] Gene W. Johnston

POD Form 3526 (July 1960)

(My commission expires July 11, 1963)
GENE W. JOHNSTON
Notary Public, Hamilton County, Ohio
My Commission Expires July 11, 1963

GENE E. SWANSON
Budgets & Forecasts Supervisor
Michigan Wisconsin Pipe Line Co.
Detroit Chapter

MURRAY E. SWEDENBORG
Manager of Accounting
Litton Industries—Electron Tube Corp.
San Francisco-Peninsula Chapter

RAYMOND L. TEMPLE
Chief Accountant
Veterans Administration Regional Office
Houston Chapter

HARRY S. THOMPSON
Budget Supervisor
Shwayder Brothers, Inc.
Detroit Chapter

LEE A. TROTTER
Supvr., Budget & Cost Unit
TVA
Chattanooga Chapter

RAOUL M. TURCOT
Coordinator of Budgets & Cost Control
Jones & Laughlin Steel Corp.
Detroit Chapter

GLEN J. VAN WYE
Supvr. of Standards & Cost Control
Dana Corp.—Detroit Div.
Detroit Chapter

HARVEY G. VAN DELL
Business Consultant
Chicago Chapter

LEONARD E. VERBEKE
Mgr., General Accounting
Brown Shoe Co., Inc.
St. Louis Chapter

GEORGE THOMAS WADE
Asst. Controller
Heil-Quaker Corp.
Nashville Chapter

RUSSELL D. WAGNER
Budget Analyst
Youngstown Kitchens Div.
Canton Chapter

JOY A. WALKER
Chief Accountant
The Mather Spring Co.
Toledo Chapter

JAMES F. WALL
Consultant
Haskins & Sells, CPAs
Chicago Chapter

VICTOR P. WEIDNER
Mgr., Control Accounting Dept.
The M. W. Kellogg Co.
New York City Chapter

ALFRED S. WEINBERG
Controller
Gross Electric Fixture Co.
Toledo Chapter

CHARLES A. WHITEMAN, JR.
Hoffmann-LaRoche, Inc.
Northern New Jersey Chapter

R. DOUGLAS WILBER
Asst. Treasurer & Controller
Oak Mfg. Co.
Fox River Valley Chapter

VERNON A. WILLIAMS
Cost Accountant
Hamilton Works-Steel Co. of Canada, Ltd.
Member-at-Large

R. H. WINSTEAD
Budget Manager
Nashville Div. of Avco Corp.
Nashville Chapter

CAREY M. YELTON JR.
Management Services Staff
Touche, Ross, Bailey & Smart
Atlanta Chapter

WILLIAM C. YOUNGQUIST
Mgr., Management Services Dept.
Ernst & Ernst, CPAs
Dayton Chapter

AUGUST E. ZIPSE
Supt., Planning & Control
America Fore Loyalty Group
San Francisco Chapter